

**House File 2454 - Introduced**

HOUSE FILE 2454

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2401)

(SUCCESSOR TO HF 2006)

**A BILL FOR**

1 An Act relating to the beginning farmer tax credit program,  
2 including the agricultural assets transfer tax credit  
3 and the custom farming contract tax credit, by extending  
4 the carryover period, and including effective date and  
5 retroactive applicability provisions.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

PAST VERSIONS OF THE AGRICULTURAL ASSETS TRANSFER TAX CREDIT

Section 1. APPLICABILITY OF CARRYOVER PROVISIONS.

1. This section shall apply, notwithstanding the directive to strike subsequent amendments to section 175.37, as provided in 2013 Iowa Acts, chapter 125, section 25, subsection 3.

2. A tax credit issued, awarded, or allowed to a taxpayer under section 175.37, Code 2013, that was first claimed in a tax year beginning on or after January 1, 2009, and ending by December 31, 2012, and that was in excess of the taxpayer's liability, may be credited to the tax liability of that taxpayer for the following ten tax years, beginning with the tax year the tax credit was first claimed, or until depleted, whichever is earlier.

3. The carryover provisions of this section shall continue to be effective until no longer applicable, included by application to tax years beginning on or after January 1, 2018.

Sec. 2. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 3. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to a tax credit first issued, awarded, or allowed to a taxpayer for a tax year beginning on or after January 1, 2009, and ending by December 31, 2012.

DIVISION II

CURRENT VERSION OF THE AGRICULTURAL ASSETS TRANSFER TAX

Sec. 4. Section 175.37, subsection 6, Code 2014, is amended to read as follows:

6. A tax credit in excess of the taxpayer's liability for the tax year may be credited to the tax liability for the following ~~five~~ ten years or until depleted, whichever is earlier. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer redeems the tax credit. A tax credit shall not be transferable to any other person other than the taxpayer's estate or trust upon the

1 taxpayer's death.

2 Sec. 5. APPLICABILITY OF CARRYOVER PROVISIONS.

3 1. This section shall apply, notwithstanding the directive  
4 to strike subsequent amendments to section 175.37, as provided  
5 in 2013 Iowa Acts, chapter 125, section 25, subsection 3.

6 2. A tax credit issued, awarded, or allowed to a taxpayer  
7 under section 175.37, as enacted in 2013 Iowa Acts, chapter  
8 125, division I, that was first claimed in a tax year beginning  
9 on or after January 1, 2013, and ending by December 31, 2017,  
10 that was in excess of the taxpayer's liability, may be credited  
11 to the tax liability of that taxpayer for the following ten tax  
12 years, beginning with the tax year the tax credit was first  
13 claimed, or until depleted, whichever is earlier.

14 3. The carryover provisions of this section shall continue  
15 to be effective until no longer applicable, including by  
16 application to tax years beginning on or after January 1, 2018.

17 Sec. 6. EFFECTIVE UPON ENACTMENT. This division of this  
18 Act, being deemed of immediate importance, takes effect upon  
19 enactment.

20 Sec. 7. RETROACTIVE APPLICABILITY. This division of  
21 this Act applies retroactively to a tax credit first issued,  
22 awarded, or allowed to a taxpayer for a tax year beginning on  
23 or after January 1, 2013, and ending by December 31, 2017.

24 DIVISION III

25 FUTURE VERSION OF THE AGRICULTURAL ASSETS TRANSFER TAX

26 Sec. 8. APPLICABILITY OF CARRYOVER PROVISIONS.

27 Upon the repeal of amendments to section 175.37, as enacted in  
28 2013 Iowa Acts, chapter 125, section 25, the following shall  
29 apply: Section 175.137, subsection 7, Code 2013, is amended by  
30 striking the words "five years" and inserting in lieu thereof  
31 the words "ten tax years".

32 Sec. 9. EFFECTIVE DATE. This division of this Act, takes  
33 effect January 1, 2018.

34 Sec. 10. APPLICABILITY. This division of this Act applies  
35 to tax years beginning on or after January 1, 2018.

DIVISION IV

CUSTOM FARMING CONTRACT TAX CREDIT

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3 Sec. 11. Section 175.38, subsection 9, Code 2014, is amended  
4 to read as follows:

5 9. A custom farming contract tax credit in excess of the  
6 taxpayer's liability for the tax year may be credited to the  
7 tax liability for the following five ten tax years or until  
8 depleted, whichever is earlier. A tax credit shall not be  
9 carried back to a tax year prior to the tax year in which the  
10 taxpayer redeems the tax credit. A tax credit shall not be  
11 transferable to any other person other than the taxpayer's  
12 estate or trust upon the taxpayer's death.

13 Sec. 12. APPLICABILITY OF CARRYOVER PROVISIONS.

14 1. A tax credit issued, awarded, or allowed to a taxpayer  
15 under section 175.38, that was first claimed in a tax year  
16 beginning on or after January 1, 2013, and ending by December  
17 31, 2017, that was in excess of the taxpayer's liability, may  
18 be credited to the tax liability of that taxpayer for the  
19 following ten tax years, beginning with the tax year the tax  
20 credit was first claimed, or until depleted, whichever is  
21 earlier.

22 2. The carryover provisions of this section shall continue  
23 to be effective until no longer applicable, including by  
24 application to tax years beginning on or after January 1, 2018.

25 Sec. 13. EFFECTIVE UPON ENACTMENT. This division of this  
26 Act, being deemed of immediate importance, takes effect upon  
27 enactment.

28 Sec. 14. RETROACTIVE APPLICABILITY. This division of  
29 this Act applies retroactively to a tax credit first issued,  
30 awarded, or allowed to a taxpayer for a tax year beginning on  
31 or after January 1, 2013, and ending by December 31, 2017.

32 EXPLANATION

33 The inclusion of this explanation does not constitute agreement with  
34 the explanation's substance by the members of the general assembly.

35 BILL'S PROVISIONS — GENERAL. This bill extends from five

1 to 10 years the period when a taxpayer may carry over a tax  
2 credit under the agricultural assets transfer tax credit (Code  
3 section 175.37) and the custom farming contract tax credit  
4 (Code section 175.38). Both provisions are referred to as  
5 part of the beginning farmer tax credit program (Code section  
6 175.36A). A tax credit carryover provision allows a taxpayer  
7 who has satisfied a tax liability in one tax year to save any  
8 unused amount of the tax credit for use in a subsequent tax  
9 year or tax years until no amount remains or a specific number  
10 of years has elapsed.

11 BILL'S PROVISIONS — AGRICULTURAL ASSETS TRANSFER TAX  
12 CREDIT. For the agricultural assets transfer tax credit, the  
13 bill allows the extended 10-year carryover period to apply  
14 to a taxpayer filing under three different versions of Code  
15 section 175.37: (1) a tax credit which was first claimed in a  
16 tax year beginning on or after January 1, 2009, and ending by  
17 December 31, 2012; (2) a tax credit which was or may be first  
18 claimed in a tax year beginning on or after January 1, 2013,  
19 and ending by December 31, 2017; and (3) a tax credit which may  
20 be first claimed on or after January 1, 2018. In each case, the  
21 taxpayer may continue to apply the remaining amount of a tax  
22 credit that was then applicable under Code section 175.37 for  
23 the following 10 tax years notwithstanding that the section may  
24 have been replaced by a subsequent version.

25 BILL'S PROVISIONS — CUSTOM FARMING CONTRACT TAX CREDIT.  
26 For the custom farming contract tax credit, the bill allows  
27 the extended 10-year carryover period to apply to a tax credit  
28 first claimed in a tax year beginning on or after January  
29 1, 2013, and ending by December 31, 2017. The taxpayer may  
30 continue to use any remaining amount of the tax credit in  
31 future tax years, regardless of the fact that the tax credit is  
32 to be eliminated on December 31, 2017.

33 BILL'S PROVISIONS — APPLICABILITY AND EFFECTIVE DATES. The  
34 bill applies to each taxpayer differently depending on the  
35 version of the applicable law under which the taxpayer first

1 claimed the tax credit. It applies retroactively to the tax  
2 year beginning January 1, 2009, for a taxpayer who claimed  
3 an agricultural assets transfer tax credit under the first  
4 version of Code section 175.37. It applies retroactively to  
5 the tax year beginning January 1, 2013, for a taxpayer who  
6 claimed the same tax credit under the second version of Code  
7 section 175.37. It also applies retroactively to the tax year  
8 beginning January 1, 2013, for a taxpayer who claimed a custom  
9 farming contract tax credit. The bill applies prospectively  
10 to a tax year beginning on and after January 1, 2018, for a  
11 taxpayer who will claim a tax credit under the third version of  
12 the agricultural assets transfer tax credit. Those provisions  
13 applying retroactively take effect upon enactment. The  
14 provision applying prospectively takes effect on January 1,  
15 2018.

16 BACKGROUND. In 2006, the general assembly enacted SF 2268  
17 (2006 Iowa Acts, chapter 1161) establishing an agricultural  
18 assets transfer tax credit, administered by the agricultural  
19 development authority, to assist beginning farmers to acquire  
20 agricultural assets by lease or rental arrangements. In 2013,  
21 the general assembly enacted HF 599 (2013 Iowa Acts, chapter  
22 125), creating the program which included the second version  
23 of the agricultural assets transfer tax credit and the new  
24 custom farming contract tax credit. HF 599 also increased from  
25 \$6 million to \$12 million the ceiling limit used to support  
26 the program through the issuance of tax credit certificates  
27 (Code section 175.39). The program and the dollar amount  
28 limit applied retroactively to tax years beginning on or after  
29 January 1, 2013, and is to expire on December 31, 2017. The  
30 Code editor is directed to codify the third version of the Code  
31 section by restoring the tax credit with its \$6 million ceiling  
32 limit to that existing immediately prior to the enactment  
33 of HF 599. The custom farming contract tax credit is to be  
34 eliminated on that same date.